

Senate File 291 - Introduced

SENATE FILE 291

BY KINNEY

A BILL FOR

1 An Act relating to the beginning farmer tax credit program, by
2 modifying participation and lease agreement requirements and
3 tax credit amounts, and including effective date provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 16.58, subsections 1, 2, and 3, Code
2 2021, are amended to read as follows:

3 1. "~~Agricultural assets~~ asset" means agricultural land
4 with or without an agricultural improvement, depreciable
5 agricultural property, crops, or livestock.

6 2. "~~Agricultural improvements~~ improvement" means any
7 improvements, including buildings, structures, or fixtures
8 suitable for use in farming which are, if located on any size
9 parcel of agricultural land.

10 3. "~~Agricultural land~~" means land suitable for use in
11 farming, any portion of which may include an agricultural
12 improvement.

13 Sec. 2. Section 16.79A, subsection 1, Code 2021, is amended
14 to read as follows:

15 1. a. A beginning farmer tax credit is allowed only for
16 agricultural assets that are subject to an agricultural lease
17 agreement entered into by an eligible taxpayer and a qualifying
18 beginning farmer participating in the beginning farmer tax
19 credit program established pursuant to [section 16.78](#).

20 b. The tax credit is allowed regardless of whether the
21 principle agricultural asset is soil, pasture, or a building or
22 other structure used in farming.

23 Sec. 3. Section 16.79A, subsection 3, paragraph c, Code
24 2021, is amended to read as follows:

25 c. The agreement must be for at least two years, but not
26 more than five years. The agreement may be renewed any number
27 of times by the eligible taxpayer and qualified beginning
28 farmer for a term of at least two years, but not more than five
29 years. However, an eligible taxpayer shall not participate in
30 the program for more than fifteen years.

31 Sec. 4. Section 16.81, subsection 4, Code 2021, is amended
32 by striking the subsection.

33 Sec. 5. Section 16.81, subsection 6, Code 2021, is amended
34 to read as follows:

35 6. The authority shall approve all beginning farmer tax

1 credit applications that meet the requirements of this subpart
 2 and make tax credit awards on a first-come, first-served
 3 basis, subject to the limitations in section 16.82A. The
 4 authority shall not disapprove an application or fail to
 5 award a tax credit to an eligible taxpayer merely because the
 6 eligible taxpayer had entered into a different agreement with
 7 a qualified beginning farmer and the authority approved an
 8 application to make a tax credit award to the eligible taxpayer
 9 for the same or different tax year.

10 Sec. 6. Section 16.82, subsection 5, Code 2021, is amended
 11 to read as follows:

12 5. The amount of tax credits that may be awarded to an
 13 eligible taxpayer for any one year under ~~all agreements~~ an
 14 agreement shall not exceed fifty thousand dollars.

15 Sec. 7. BEGINNING FARMER TAX CREDIT PROGRAM — FORMER
 16 PERIOD OF PARTICIPATION EXTENDED. An eligible taxpayer first
 17 participating in the beginning farmer tax credit program on or
 18 after January 1, 2019, as provided in 2019 Iowa Acts, chapter
 19 161, for a tax year beginning on or after that date, may
 20 participate in the program for not more than fifteen years in
 21 the same manner as provided in section 16.79A, as amended by
 22 this Act.

23 Sec. 8. EFFECTIVE DATE. This Act takes effect January 1,
 24 2022.

25 EXPLANATION

26 The inclusion of this explanation does not constitute agreement with
 27 the explanation's substance by the members of the general assembly.

28 GENERAL. This bill provides for the participation of an
 29 eligible taxpayer (taxpayer) and qualified beginning farmer
 30 (beginning farmer) in the beginning farmer tax credit program
 31 (program) (Code section 16.81(4)). Under the program, a tax
 32 credit is awarded to a taxpayer who transfers agricultural
 33 assets to a beginning farmer by agricultural lease agreement
 34 (agreement). The transferred agricultural assets include
 35 agricultural land and improvements, as well as depreciable

1 agricultural property. The agreement must be approved by the
 2 Iowa finance authority (authority) (Code section 16.79A) who
 3 issues a tax credit certificate to the taxpayer on an annual
 4 basis for the period of the agreement (Code section 16.81).

5 LEASE OF AGRICULTURAL LAND WHICH INCLUDES IMPROVEMENTS
 6 (BUILDINGS). The bill provides that the agreement may provide
 7 for lease of any size parcel of agricultural land and an
 8 improvement such as a building (amended Code section 16.58(1),
 9 (2), and (3)). The principal agricultural asset transferred
 10 in the agreement may be agricultural land or that part of the
 11 agricultural land which is a building or other structure used
 12 in farming (amended Code section 16.79A(1)).

13 PARTICIPATION IN THE PROGRAM — FROM 10 TO 15 YEARS.
 14 The bill increases from 10 to 15 the number of years that
 15 a taxpayer may participate in the program (amended Code
 16 section 16.79A(3)). The extended years of participation
 17 apply retroactively to a taxpayer previously approved by the
 18 authority to participate in the program.

19 PARTICIPATION IN THE PROGRAM — TAX CREDIT CERTIFICATES
 20 AND AWARDS. The bill provides that a taxpayer may claim
 21 multiple tax credits under the program (amended Code sections
 22 16.79A(3) and 16.81(6)) so long as each tax credit is based
 23 on an agreement approved by the authority (amended Code
 24 section 16.81(6)). It also provides that the current \$50,000
 25 limitation on tax credits that can be claimed by a taxpayer
 26 applies to each rather than all such agreements (amended Code
 27 section 16.82(5)).

28 BACKGROUND. Generally, in order to qualify as a beginning
 29 farmer, a person must have a low or moderate net worth, be able
 30 to successfully engage in farming, and promise to materially
 31 participate in the farming operation (Code sections 16.58(6)
 32 and (10), and 16.79(2)). The amount of the tax credit depends
 33 upon the type of payment arrangement provided in the agreement,
 34 including a fixed amount (5 percent of cash rent payment) or
 35 some form or risk-sharing between the parties (15 percent of

1 the market price of the commodity produced on the leasehold).
2 A taxpayer may claim the tax credit in the applicable tax year
3 up to the taxpayer's liability. Any amount of the unused tax
4 credit may be applied to reduce the taxpayer's liability for
5 each of the following 10 years until depleted, whichever comes
6 first; and cannot be refunded (Code section 16.82(7)).

7 EFFECTIVE DATE. The bill takes effect on January 1, 2022.